

Message Text

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ACTION EUR-12

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DEPARTMENT PASS TREASURY AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, ETRD, EEC

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT - NO PROGRESS BUT
EC COMMISSION CLAIMS EXCLUSIVE JURISDICTION

REFS: A. EC BRUSSELS 10660, B. EC BRUSSELS A-477, C. EC BRUSSELS 10271

1. SUMMARY. THE EC EXPORT CREDIT WORKING GROUP MADE NO PROGRESS IN RESOLVING ITS IMPASSE OVER THE PROPOSED GENTLEMEN'S AGREEMENT. THE EC COMMISSION HAS DECIDED TO SEND TO THE COUNCIL A COMMUNICATION REQUESTING A MANDATE FOR IT TO NEGOTIATE THE AGREEMENT. THE COMMISSION MAINTAINS THAT THE COMMUNITY NOW HAS EXCLUSINVE JURISDICTION IN THE NEGOTIATION OF EXPORT CREDIT MATTERS FOR THE NINE. THIS REQUEST COULD FURTHER DELAY NEGOTIATIONS. END SUMMARY.

2. THE EC EXPORT CREDIT WORKING GROUP MET IN BRUSSELS ON DEC 18-19, INTER-ALIA, TO DISCUSS THE PROPOSED GENTLEMEN'S AGREEMENT. MEMBER STATE REPRESENTATIVES HELD A BRIEF NON-SUBSTANTIVE
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DISCUSSION AND NO PROGRESS WAS MADE IN BREAKING THE EXISTING

IMPASSE. THE GROUP, HOWEVER, DECIDED TO DELAY REPORTING TO THE COMMITTEE OF PERMANENT REPRESENTATIVES THAT THEY WERE AT AN IMPASSE (SEE REF C). SEVERAL DELEGATES, INCLUDING GAVOIS OF FRANCE, SAID THAT IN LIGHT OF THE DISCUSSIONS AT RAMBOUILLET, THEY WOULD PREFER TO DELAY THE REPORT IN ORDER TO HAVE MORE TIME TO CONSIDER THEIR POSITION TOWARD THE AGREEMENT.

3. THE COMMISSION REPRESENTATIVE, FRIEDRICH KLEIN OF DG-I, WHO IS TEMPORARILY REPLACING MRS. ARCHIBALD, NOTIFIED THE GROUP OF A NEW COMMISSION POSITION TOWARD THE NEGOTIATIONS. BECAUSE OF THE EUROPEAN COURT OF JUSTICE'S RECENT OPINION (SEE REF B), KLEIN SAID THAT THE COMMISSION NOW HAD EXCLUSIVE JURISDICTION AS THE VOICE OF THE NINE IN NEGOTIATING THE AGREEMENT.

4. MEMBER STATE REPRESENTATIVES DID NOT COMMENT ON KLEIN'S STATEMENT. KLEIN, HOWEVER, HAS TOLD US THAT HE EXPECTS THE FRENCH TO REACT NEGATIVELY BECAUSE OF THEIR PAST INSISTENCE THAT THE AGREEMENT BE AN INFORMAL UNDERSTANDING AMONG THE PARTICIPATING COUNTRIES. THE COMMISSION HAS RECEIVED REPORTS THAT FRANCE WOULD NOW LIKE TO NEGOTIATE AN AGREEMENT WITH THE SIX PARTICIPANTS OF THE RAMBOUILLET SUMMIT. THE GOF, WE UNDERSTAND, HAS SUPPORT FROM THE UK IN THIS EFFORT. IF THE MEMBER STATES SHOULD SEEK TO CONTINUE NEGOTIATIONS OUTSIDE OF THE EC FRAMEWORK, THE COMMISSION WOULD HAVE TO BLOCK THESE NEGOTIATIONS BECAUSE THIS WOULD BE CONTRARY TO THE COMMISSION'S NOW-RECOGNIZED ROLE AS THE EXCLUSIVE NEGOTIATOR FOR THE NINE IN THE MATTER.

5. KLEIN SAYS THE COMMISSION DOES NOT PLAN TO NEGOTIATE AN INTERNATIONAL AGREEMENT, BUT AN INFORMAL DECLARATION ACCEPTING SPECIFIC LIMITS ON OFFICIAL EXPORT CREDITS. THE COMMISSION WOULD, HOWEVER, ASK THE COUNCIL TO ADOPT THE NEGOTIATED DECLARATION SO THAT THE MEMBER STATES WOULD BE BOUND BY IT.

6. ON DEC 22 THE COMMISSION DECIDED TO SEEK A MANDATE FROM THE COUNCIL EARLY NEXT YEAR TO NEGOTIATE THE AGREEMENT. THE COMMISSION HAS PROPOSED TO THE COUNCIL A DIRECTIVE WHICH INCORPORATES THE ALREADY AGREED POINTS IN THE CURRENT NEGOTIATIONS. IT DOES NOT SPECIFY INTEREST RATES OR MATURITY PERIODS BUT SETS RANGES IN WHICH THE EC MAY NEGOTIATE. THE DRAFT MANDATE PROPOSES TAKING UP "MIXED CREDITS" SEPARATELY. THE COMMISSION PLANS TO LIMITED OFFICIAL USE

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PROPOSE TO THE COUNCIL THAT AID CREDITS BE EXTENDED IN ACCORDANCE WITH DAC OFFICIAL DEVELOPMENT ASSISTANCE REQUIREMENTS. IT ALSO PROPOSES TO HANDLE COST ESCALATION INSURANCE SEPARATELY BY ASKING MEMBER STATES TO PHASE OUT THEIR SCHEMES (SEE SEPTTEL).

7. KLEIN CONCEDES THAT THE COMMISSION'S INITIATIVE COULD COMPLICATE THE ONGOING NEGOTIATIONS. HE WOULD NOT BE SURPRISED IF FRANCE BLOCKS THE COMMISSION'S DIRECTIVE IN THE COUNCIL. HE NOTES

THE COUNCIL SELDOM OVERRIDES THE STRONG OPPOSITION OF A
MEMBER STATE. THUS, THE COMMISSION IS NOT HOPEFUL OVER PROMPT
COUNCIL ACTION ON ITS REQUEST BUT IT BELIEVES THE COURT DECISION
LEAVES IT NO ALTERNATIVE BUT TO PRESS AHEAD. IN DOING SO,
HOWEVER, THE COMMISSION IS LIKELY TO CREATE A FURTHER IMPEDIMENT
TO THE ALREADY LAGGARD NEGOTIATIONS. GREENWALD

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